

Historical Context

Fund Source Analysis

Sleeping Bear Dunes National Lakeshore's total funding has increased from \$3.6 million in FY1993 to \$5.5 million in FY2003, at an average annual growth rate of 6% (not adjusted for inflation). The Lakeshore's funding comes from four sources, which are described below.

Appropriated Base is an annually recurring fund that Congress establishes to support day-to-day operations. Since these funds are meant to cover basic expenditures, they are the best indicator of the park's financial stability. Over the past decade, base funding has remained fairly steady at Sleeping Bear Dunes (an average of \$2.7 million per year) while expenses have increased. In 2003, the Lakeshore's base budget of \$3.3 million contributed 60% of total funding, compared to an 11-year average of 63%. The Appropriated Base budget figures shown below reflect what the Lakeshore receives after the Washington and regional offices of the National Park Service assess a percentage of the actual sums. The amount of these assessments has continued to increase in recent years and though they help to achieve NPS goals at the national level, they reduce the Lakeshore's available funding to accomplish park-specific objectives.

Appropriated Non-base includes funds that Congress provides for nonrecurring projects and special needs. Over the past 12 years, non-base funding has fluctuated, covering from 11% to 59% of expenditures annually. In FY1992 and FY1993, the Appropriated Non-base expenditures were particularly high because the Lakeshore received over \$2 million to rehabilitate the Platte River Campground and \$1.1 million to construct the dock on North Manitou Island. Since then the park has received an average of approximately \$1 million per year to complete various non-recurring projects, such as cyclical maintenance and rehabilitation investments. In FY2003 non-base funding totaled \$1.4 million.

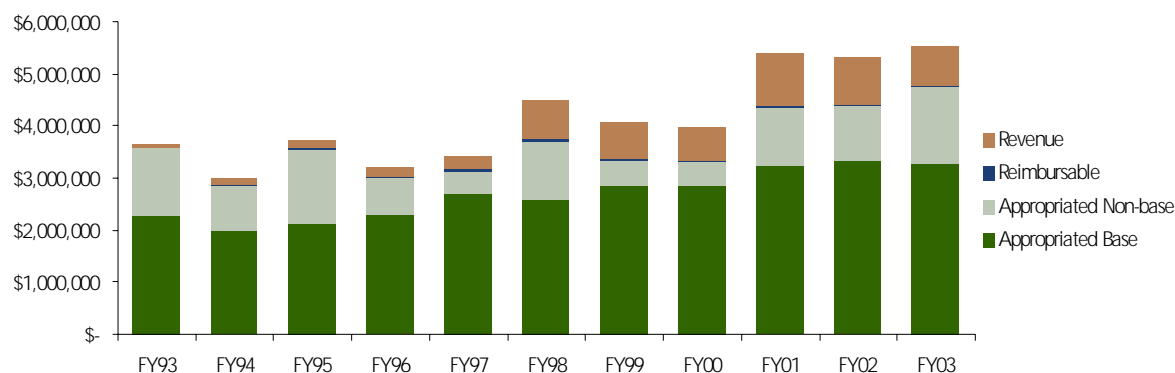
Reimbursable funding includes fees collected from other agencies or private citizens for services rendered. At Sleeping Bear Dunes, these funds include fees designed to help offset administrative costs for special use permits and utility charges to RV campers. Although reimbursables make up a fairly small portion of the park's total budget (an average of 1% over the past 11 years), this fund source has increased at an average annual rate of 8% since FY1992, contributing an average of approximately \$40,000 per year to off-set the Lakeshore's expenses.

Revenues include money the park received from entrance fees, concession fees, and donations. The Lakeshore's revenues increased from \$44,300 in FY1993 to \$754,000 in FY2003. This 1600% increase is primarily due to the Fee Demonstration Program, established in 1997, which allows the park to retain 80% of the fees it collects from visitors. The revenues, which made up close to 14% of the Lakeshore's budget in FY2003, have allowed the park to make significant improvements in infrastructure as well as carry out resource protection projects.



Scaling the hill at the Dune Climb is a "must do" activity for many visitors.

Historical Expenditures by Fund Source



Adjusted Base Budget



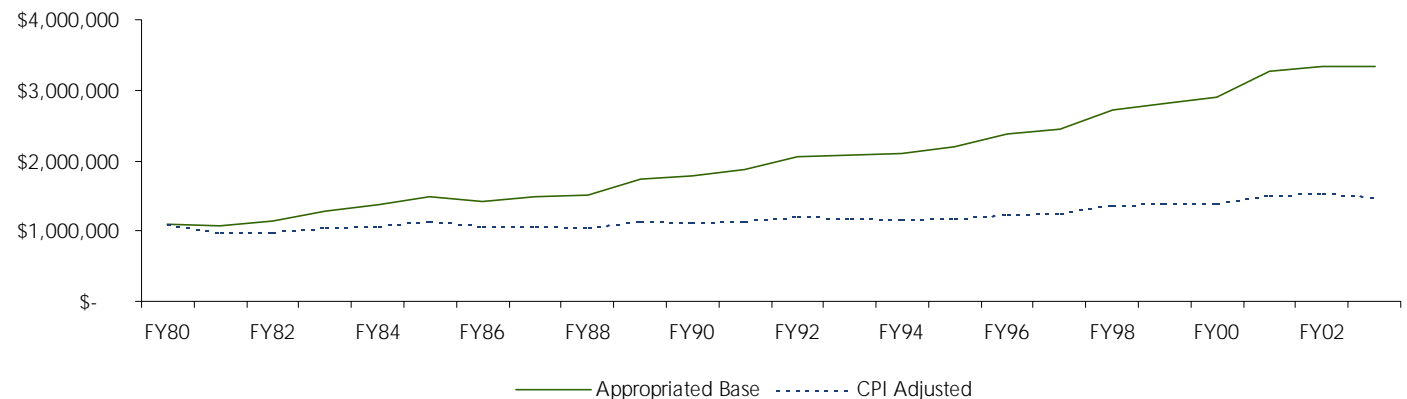
The rehabilitation of the Platte River Campground in 1992 has increased the Lakeshore's overnight visitors and demands on its operating budget.

The graph below demonstrates the growth of the Lakeshore's Appropriated Base funds from FY1980 to FY2003. Base funds are intended to cover the labor and non-labor expenses associated with day-to-day operations. The Lakeshore's base budget appears to have gone up from \$1.1 million in FY1980 to \$3.3 million in FY2003 (solid line), at a compound annual growth rate of 4.8%. After adjusting for inflation with the Consumer Price Index, this 206% overall increase amounts to only a 37% rise over the past 23 years (dotted line) and a compound annual growth rate of 1.3%. In the same period, many activities and programs have been added to Lakeshore operations. The rehabilitation of the Platte River Campground in 1992 has attracted more overnight visitors. The park has established interpretive programs for its wealth of natural and cultural resources and has increased its involvement in the community. New awareness of the significance of the Lakeshore's historic resources has led to additional preservation. General operations have become more complex as the park has acquired lands purchased years ago, but still occupied by

former owners through Reservations of Use and Occupancy agreements that are now expiring. Finally the population growth and development in the area and expanded recreational activities continue to tax the Lakeshore's resources.

While the increase in the base budget has kept up with cost of living increases over the past two decades, it has not covered the full expenses associated with protecting resources. Between FY1992 and FY2002, the mandatory pay change established by Congress has amounted to a 3.3% average annual increase. Over the same period, the base budget has gone up at an average annual rate of 2.8% in real terms. As a result, the Lakeshore has had to rely on non-base funding to meet its mission-critical functions, including routine work in nearly all program areas. As shown on the previous page, these funds are unpredictable and the fluctuations make it difficult to plan for investment projects, carry out operational needs, and complete preservation initiatives.

Appropriated Base Budget History



Analysis of Real Growth

The chart below illustrates the increase in the Lakeshore's real labor costs paid from Appropriated Base funding from FY1995 to FY2003. (Accounting differences in years prior to FY1995 preclude meaningful comparison of those years to the present.) From FY1995 to FY2003, total personnel costs rose by about \$500,000 after adjusting for inflation. This increase is split fairly evenly between the increased cost of salaries and benefits per employee and the cost of additional employees, measured in FTE, or 2,080 hours of work per year.

Personnel expenses rose from a park average of \$41,452 per FTE in FY1995 to \$56,017 per FTE in FY2003, an increase of 35%. When adjusted for inflation, this amounts to a 12% difference, which can be explained by several factors. Congressionally mandated wage and benefit increases are seldom fully accompanied by corresponding base budget increases. Parks are also responsible for paying a greater share of benefits for employees hired after 1984 under the Federal Employees Retirement System than for those hired under the older Civil Service Retirement System. Therefore, as employees retire and are replaced by new hires, the park's total labor costs then increase. Additionally, since 1994, the NPS has

instituted several programs that attempt to make its career opportunities more competitive in the marketplace, but that also increase salary and benefits costs to the Lakeshore. These programs include the Ranger Careers Initiative, Protection Ranger 6C Retirement and Benefits package, and Administrative Careers Initiative.

The chart below shows a 4.07 FTE increase in base-funded staff since FY1995, but 2.11 base-funded FTE are not included in the FY1995 staff due to a change in the usage of accounts over time. In actuality the increase is 1.96 FTE which reflects filling some positions that were vacant and converting some seasonal appointments to subject-to-furlough. Rising wages and flat budget growth will likely continue to increase pressure on the small portion of the operational budget not already dedicated to personnel costs. As a result, non-labor expenditures may be increasingly neglected or paid for out of less reliable non-base funding sources, thereby compromising certain park operations. The Lakeshore may also need to continue lapsing positions (not filling vacated jobs) for an undetermined amount of time.



Interpretive rangers make up a significant portion of the Lakeshore's seasonal staff.

Operational Costs: Appropriated Base Funding

	FY 1995 Actual Costs		FY 1995 Inflation Adjusted		FY 2003 Actual Costs		Net Cost Increase	
	FTE	Average	Total	Average	Total	Average	Total	Total
FY1995 Staff	44.4							
Salary		\$34,278	\$1,521,940	\$41,385	\$1,837,513	\$46,264	\$2,054,114	\$4,878
Benefits		\$7,174	\$318,512	\$8,661	\$384,555	\$9,754	\$433,056	\$1,092
Subtotal		\$41,452	\$1,840,451	\$50,047	\$2,222,067	\$56,017	\$2,487,171	\$5,971
New Staff	4.07							
Salary					\$46,264	\$188,294	\$46,264	\$188,294
Benefits					\$9,754	\$39,697	\$9,754	\$39,697
Subtotal					\$56,017	\$227,991	\$56,017	\$227,991
Total Labor	48.5		\$1,840,451		\$2,222,067	\$2,715,161		\$493,094
Non-Labor			\$205,150		\$247,688	\$575,594		\$327,906
Total			\$2,045,601		\$2,469,755	\$3,290,755		\$821,000

Fixed Cost Analysis



Watching the sun set over Lake Michigan is a popular visitor activity.

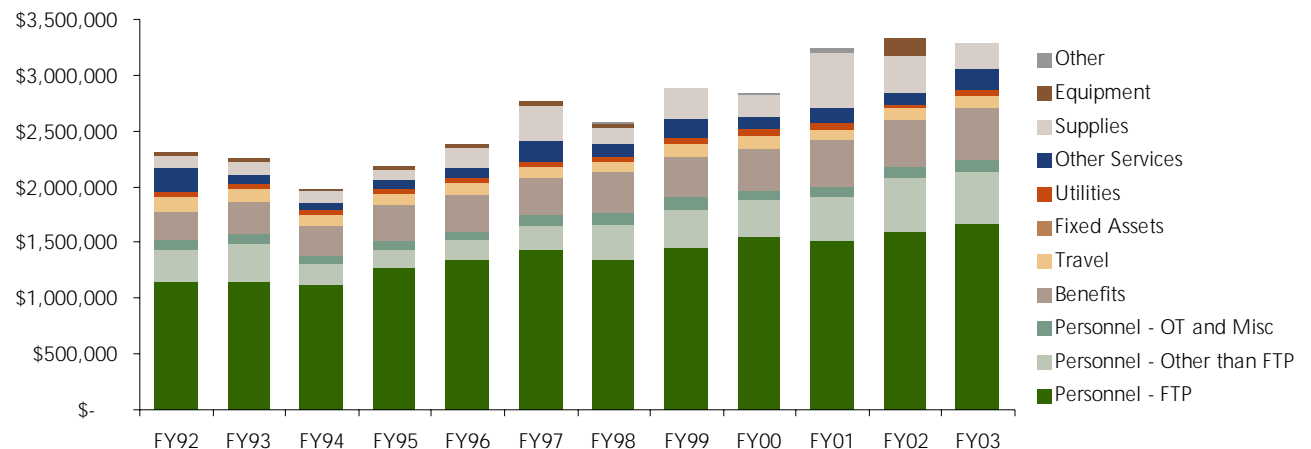
The chart below shows the Lakeshore's appropriated base budget expenditures allocated to eleven defined categories. Some of these categories are considered fixed costs, meaning that they must be paid every year and cannot be easily adjusted to meet changing priorities. The Lakeshore's fixed costs include salaries and benefits for full-time permanent staff (shown below as "Personnel – FTP"), utilities, and some services including equipment repair contracts and dock fees.

In FY2003 approximately 84% of the appropriated base budget was spent on fixed costs. Personnel accounts for the greatest share of the park's fixed costs – between 75% and 90% of appropriated base budget expenditures over the past 12 years. The proportion of labor costs spent on seasonal employees (shown below as "Personnel – Other than FTP") has increased 78% since 1992. When non-base funding sources are not available for personnel costs, the Lakeshore must reduce or cut park programs in order to pay salary and benefits costs first.

The Lakeshore has flexibility in spending only the remaining 16% of the appropriated base budget, leaving little room to address changing priorities or other needs. This low degree of flexibility means that the park is increasingly dependent on non-recurring sources to fund all other basic operations.

Hiring seasonal employees in law enforcement, resource management, interpretation, and other positions increases the Lakeshore's flexibility but also leads to higher training and recruitment costs, especially if the trained staff do not return to the Lakeshore year after year.

Historical Appropriated Base Expenditures by Category



Analysis of Expenditures

Similar to the chart on the previous page, the chart below presents the Lakeshore's expenditures by category but includes all four fund sources. In the past 12 years, park expenditures have shown significant fluctuation in some categories and the budget as a whole. Such variation is due primarily to funding for specific projects that are mainly included in the Other Services category.

In the last decade, personnel costs and benefits have made up the majority (an average of 67%) of the park's total expenditures. The 96% rise in labor expenditures since FY1992 has been the result of increased salary and benefits costs as well as the addition of new staff. In FY2003, personnel costs totaled \$3.6 million - 75% of which came from base and 25% from non-base funding.

Contracts make up the majority of the expenses in the Other Services category. These costs have fluctuated significantly over the years, contributing as little as 6% to as much as 60% of total expenditures. In FY1992 and FY1993, for example, the Lakeshore contracted out the reconstruction of the Platte River Campground. In FY1998 many Reservations of Use and Occupancy agreements expired and these sites were restored to their natural condition. In FY2001 through FY2003, the Lakeshore awarded contracts for restoring biodiversity, dredging the North Manitou dock, and completing a boundary survey. (The investments for FY2003 are explained in further detail on pages 30 - 31).

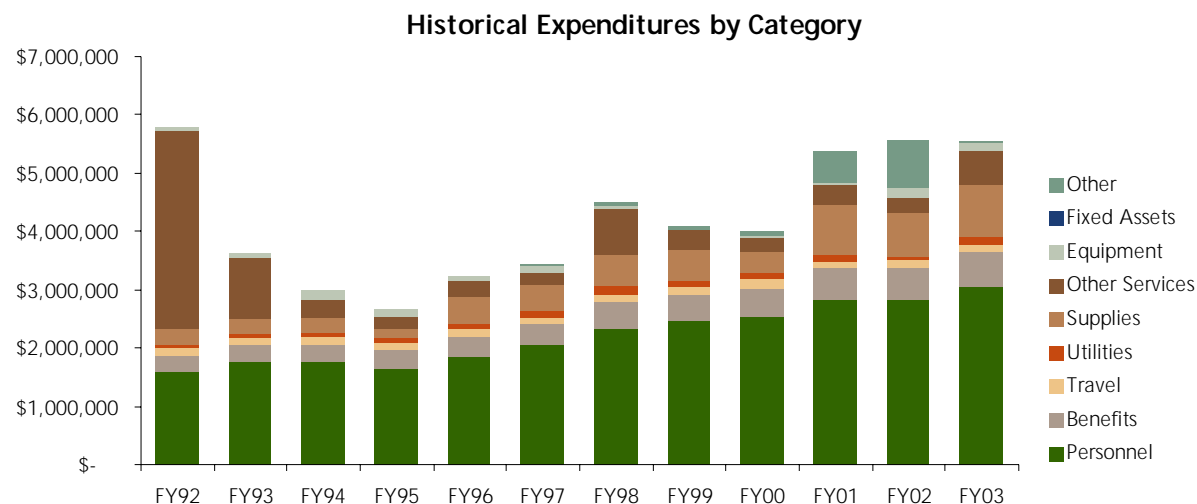
The cost of Supplies, which has made up an average of 11% of expenditures, has seen an increase over the years. FY2001, FY2002 and FY2003 appear anomalous because the Lakeshore utilized funds available from vacant positions to purchase needed supplies and materials.

Equipment costs have also varied over the years based on the need to replace and/or acquire new equipment. Funds from FY2002 and FY2003 were used to purchase a landing craft vessel, making up much of the increase in Equipment expenditures in those years. The Other expenditures in FY2001 and FY2002 include administrative oversight that the park provided for the Automobile National Heritage Site in Detroit. Travel and Utilities expenses have remained fairly stable, contributing an average of 3% and 2% of total spending over time, respectively.

Fixed Assets include real property such as land and buildings. The Lakeshore has purchased property from willing sellers in recent years, but these expenditures are funded through the National Land and Water Conservation Fund, and not reflected here. As the graph shows, Fixed Asset expenditures using Lakeshore finding has been negligible.



The Lakeshore offers beautiful scenery and recreational opportunities in all seasons of the year.



Visitation



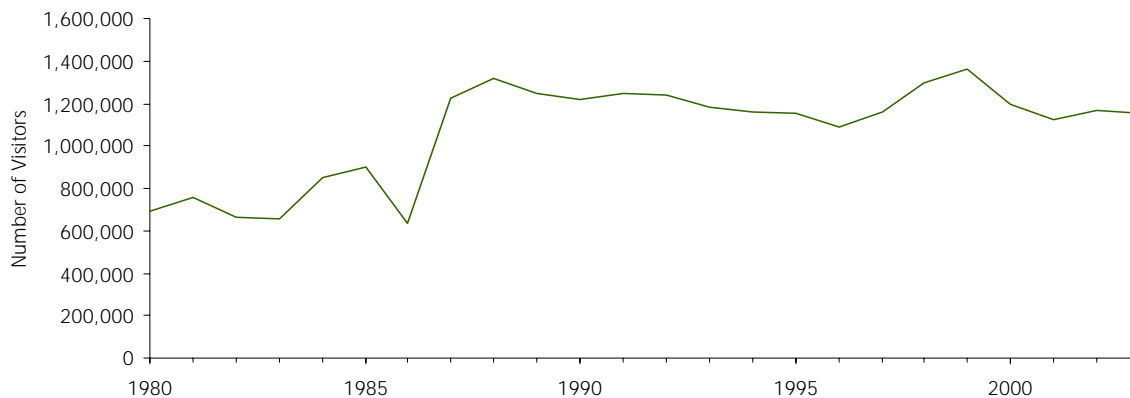
Fall color season is an especially popular time to visit the Lakeshore.

Annual park visitation currently averages 1.2 million. The Lakeshore estimates that 25% of its visitors are local residents, 45% are day use visitors from other areas, 15% stay overnight in campgrounds, and 15% stay overnight in local accommodations. Most non-local visitors travel from Michigan and the nearby states of Ohio, Illinois, and Indiana and the Lakeshore is their primary destination.

Following thorough visitor surveys conducted in 1985 and 1986, the Lakeshore began using a better method of estimating visitation. The chart below shows a significant increase in 1987, the first year the new system was implemented. Also, in 1999 the power supply for the traffic counters was upgraded from batteries to more reliable solar panels. Unsupported estimates made during periods when the traffic counters were not functioning may explain some of the variability from 1987 to 1999. The increased visitation from 1996 to 1999 may also be attributable to unseasonably warm temperatures during those years.

Park visitation is highest in July and August, the warmest months of the year, with shoulder seasons from April to June and September to October. On a busy summer day, the Visitor Center may receive over 1,300 visitors and campgrounds fill to capacity. North and South Manitou Islands, which together receive over 15,000 visitors each summer, are only open from the beginning of May through early October. Shoulder and off-season visitors come for the fall colors, hunting, cross-country skiing, and snowshoeing. Since 1980 the distribution of total visitation per month has changed. As shown in the chart below, a greater share of total visitors arrive in April, June and October while a lesser percentage visit in August and September. Such shifts in seasonality are likely due to changing visitor uses of the park. More people are coming for spring mushroom gathering and hiking while the spectacular fall foliage attracts October visitors. Such visitation changes further stretch the Lakeshore's operating budget. Seasonal staffing levels will have to increase to provide for adequate visitor safety and resource protection during the lengthening busy season.

Historical Visitation



Visitation Seasonality

